

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Selection Criteria

LBBW

29 March 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association's (ICMA) Green Bond Principles (GBP) (June 2021)• EU Taxonomy Climate Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">• LBBW Green Bond Framework (as of 25.03.2022)• LBBW Selection Criteria and Existing Asset Pool (as of 31.12.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework

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Scope of work

Landesbank Baden-Württemberg (“the Issuer”, or “LBBW”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond link to LBBW’s sustainability strategy – drawing on LBBW’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. LBBW’s Green Bond Framework (24.03.2022 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP).
3. The Selection Criteria and existing asset pool – whether the nominated project categories contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green Bond link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 12.02.2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public and Regional Banks sector. The issuer is rated 3rd out of 269 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	<p>Consistent / with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The Green Bond will (re-)finance eligible asset categories which include: renewable energy and green buildings</p> <p>Those use of proceeds categories have positive contributions to SDGs 7 'Affordable and clean energy', 11 "Sustainable Communities" and 13 'Climate action'.</p>	<p>Positive contribution to SDGs 7, 11, 13</p>
<p>Part 4:</p> <p>Alignment with EU Taxonomy</p>	<p>ISS ESG assessed the alignment of LBBW's selection criteria and asset pool against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis². Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> • Aligned with the Climate Change Mitigation Criteria, except for activity 7.1 and 7.7 • Aligned with the Do No Significant Harm Criteria for assets in EU Member States, except for Water and Circular Economy criteria for activities 7.1 and 7.2, as well as Climate Change Adaptation criteria broadly across the activities • Aligned with the Minimum Social Safeguards requirements, except for assets located in non-OECD countries 	

¹ ISS ESG's evaluation is based on the LBBW's Green Bond Framework (March 2022), on the asset pool as received on 24.3.2022, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 12.2.2022).

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO LBBW'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF LBBW'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
LBBW	PUBLIC AND REGIONAL BANKS	1	VERY HIGH

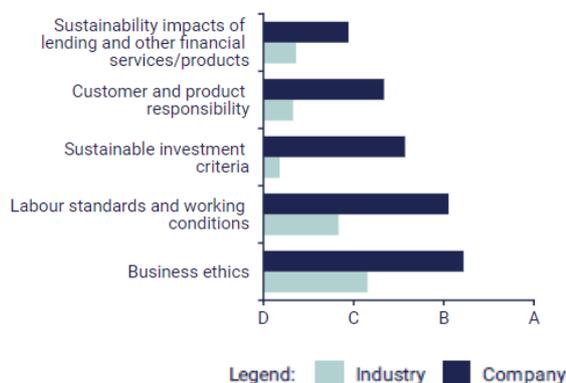
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public & Regional Banks sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 25.03.2022, this Rating places LBBW 3rd out of 269 companies rated by ISS ESG in the Public & Regional Banks sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

LBBW is a public bank providing all kinds of financial services to retail and corporate clients, savings banks, institutional clients and high net worth clients. As a consequence, the company's opportunity is to focus on the provision of financial services with high social and/or environmental benefit. LBBW offers a basic banking account with moderate terms and conditions as well as some further inclusive financial services. Moreover, the company provides some financial services for social infrastructure (e.g., hospitals, schools, universities). LBBW provides a broad range of socially responsible investment products and services applying several best-in-class and exclusion criteria. Among these are SRI funds (e.g., LBBW Nachhaltigkeit Aktien, LBBW Nachhaltigkeit Renten) as well as theme funds and sustainable mandates for institutional customers. These products, however, do not constitute the main business of the company.

Sustainability Risks

LBBW has set up guidelines for its lending business covering several areas such as human and labour rights, and excluding financing of controversial weapons, amongst others. The company further provides credit guidelines for some high-risk sectors such as forestry and paper. LBBW excludes the construction and expansion of coal fired power plants (unless fuel efficiency is improved or emissions are reduced) from financing as well as projects relating to the construction or expansion of nuclear power plants and controversial practices such as tar sands, arctic drilling, and mountain top removal. Yet, an approach covering all relevant aspects or sectors is missing, and there is no indication for a comprehensive application process including e.g., relevant client monitoring.

LBBW integrates sustainability issues into its mainstream asset management through the exclusion of weapons and through the provisions of ESG information to its investment managers. It also works with an external research provider to monitor its portfolio. Moreover, the company has taken steps to integrate environmental and social criteria into its own investments. In addition, LBBW actively engages with investees in case they violate the company's principles. Some client-related risks are well-managed by the implementation of a comprehensive policy on responsible marketing and measures to ensure responsible sales practices. First steps to ensure tax compliance by clients have been taken as well. Business ethics risks appear to be comparably well managed by the implementation of a comprehensive code of conduct supported by various compliance measures. Finally, LBBW has set up comparably good measures with regard to labour rights of its employees. LBBW has announced that it will cut 700 jobs by the end of 2024. However, it was estimated that almost all of the planned job cuts will occur in Germany, where affected staff members benefit from high legal standard on workforce restructuring. In addition, the company has implemented some measures to avoid compulsory redundancies.

Governance opinion

Regarding LBBW's governance structure, the chairman of the supervisory board is independent as well as half of the supervisory board members determined by the shareholders (as at March 25, 2022). Moreover, a slight majority of the shareholder-determined members of the committees in charge of audit and remuneration are considered independent (as at December 31, 2020). Only a minority of the shareholder-determined members of the nomination committee is independent. The company does not provide information on individual compensation schemes of its executives.

Regarding the company's governance of sustainability, there is no indication of an independent supervisory board committee in charge of sustainability. The company states that sustainability performance objectives are part of its remuneration policy without disclosing details. Furthermore, business ethics risks appear to be comparably well managed by the implementation of a comprehensive code of conduct supported by various compliance measures.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of LBBW's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along LBBW's production process. Specific assessment of the Green Bond's Use of Proceeds categories impact on the UN SDGs is provided under Part III A.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of renewable energy projects	1%	CONTRIBUTION	 
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

As of 25 March 2022, the company is not facing any controversy.

B. CONSISTENCY OF GREEN BOND WITH LBBW'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

LBBW has been a pioneer financial institution in a number of sustainability initiatives in the financial services industry, for example by being one of the first members of the UNEP Finance Initiative in 1999 and being the first German universal bank to sign the Principles for Responsible Banking. Furthermore, LBBW became a signatory of UN PRI in 2009. Moreover, LBBW signed the UN Global Compact in December 2017 and in 2021, LBBW became a member of the Net Zero Banking Alliance Germany. Actions taken under its overarching Sustainability Policy include constructive dialogue with community groups, offering a portfolio of sustainable investment products, applying sustainability criteria into its asset management services, and launching its own green and social bond frameworks.

Rationale for issuance

LBBW was an early signatory of the ICMA Green Bond Principles in 2014 and supports the growth of the green bond market because it believes that green bonds offer transparency and traceability to investors who would like exposure to green assets. LBBW was one of the first German financial institution green bond issuers and is committed to a green bond program which leads the market in terms of transparency, impact reporting, and commitments. The program has continued to grow ever since, with green bonds being issued in various formats and currencies. The investor base was widened to include leading international ESG investors. The volume of outstanding LBBW Green and Social Bonds amounted to EUR 6.6 billion (as of 31 December 2021). This makes it one of the largest commercial bank issuers of green, social and sustainability bonds in Europe.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public and Regional Banks sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy, as well as the most material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer and is in line with the issuer's sustainability strategy and priorities.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK		
ICMA CATEGORIES	GBP	ELIGIBILITY CRITERIA
Renewable Energy		<p>Financing or refinancing of production of renewable energy:</p> <ul style="list-style-type: none"> • On- and offshore wind energy projects • Solar photovoltaic and solar thermal energy projects
Green Buildings		<p>Financing or refinancing new or existing buildings:</p> <ul style="list-style-type: none"> • Buildings built before 31 December 2020 with EPC label \geq "A" • Buildings built before 31 December 2020 belonging to the top 15% of the national building stock³ • Buildings built after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the local market • Buildings that have been refurbished, resulting in a relative improvement in primary energy demand \geq 30% in comparison to the performance of the building before the renovation. Reductions through renewable energy sources are not taken into account • Buildings that have been refurbished meeting the criteria for major renovations under applicable building regulations

Assets selected under previous versions of the Green Bond Framework may remain part of the Eligible Green Loan Portfolio until maturity.

Opinion: ISS ESG considers the Use of Proceeds description provided by LBBW's Green Bond Framework as aligned with the GBP. They fall within the categories recommended by the GBPs. A detailed assessment of the alignment of the project characteristics with the EU Taxonomy criteria requirements is included in Part III.B.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

³ LBBW may engage external consultants to define the top 15% and NZEB -10% in the context of the national building stock in the countries where any eligible green building assets are located. In countries where there is no definition of NZEB or there is no practical solution to implement NZEB, LBBW may choose to rely on the top 15% approach.

Projects financed and/or refinanced through Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria.

Alignment of Eligibility Criteria with the EU Taxonomy Climate Delegated Act

The definition of the Eligibility Criteria takes into account the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best-efforts basis as long as there are feasible practical applications in the geographies where LBBW's assets are located (in terms of local regulation).

Green Bond Committee

The Green Bond Committee oversees the entire Green Bond process, including the evaluation and selection of eligible loans originated across relevant business lines. The committee consists of representatives of the Treasury, the Risk department, the Real Estate department as well as the Sustainability and ESG department. The Green Bond Committee generally convenes once a month.

***Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by LBBW's Green Bond Framework as aligned with the GBPs. A committee is set up with representatives from across the issuer's departments. Another section in the Framework includes additional detail on how LBBW manages its ESG risks generally to ensure that the project portfolio financed meet the company's overall sustainability policies and strategies.*

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

The Green Bonds proceeds will be managed by LBBW in a portfolio approach.

LBBW intends to allocate the proceeds of the Green Bonds to a portfolio of loans that meets the eligibility criteria for use of the proceeds and follows the evaluation and selection process outlined above, the Eligible Green Loan Portfolio.

LBBW will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds. Eligible Assets will be added to or removed from LBBW's Eligible Green Loan Portfolio to the extent required. In the meantime, LBBW holds and/or invests the balance of the net proceeds not yet allocated to the Eligible Green Loan Portfolio in its liquidity portfolio or any other treasury activity at its discretion.

For "Green Pfandbriefe" (Covered Bonds) LBBW ensures that Eligible Assets – as defined at the relevant issuance date – corresponding to at least the total nominal value of a "Green Pfandbrief" are held in the cover pool of the Mortgage Pfandbrief at all times until the "Green Pfandbrief" matures. In exceptional cases, for example in the event of unexpectedly large early repayments, freed financial resources can be invested temporarily with a credit institution that has a good sustainability rating from a recognized sustainability rating agency.

***Opinion:** ISS ESG finds that the Management of Proceeds description provided by LBBW's Green Bond Framework is aligned with the GBPs. The mention of how proceeds will be used before they are allocated, and the one-year timeline for adding loans provides additional transparency and follows best market practice.*

4. Reporting

FROM ISSUER'S FRAMEWORK

LBBW intends to prepare and make available a report on the allocation of proceeds to the Eligible Green Loan Portfolio within one year after the issuance of the respective Green Bond.

LBBW intends to report the allocation of the Use of Proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of LBBW's green bonds and other potential green funding outstanding.

LBBW intends to align its reporting with the approach described in the ICMA Handbook: Harmonised Framework for Impact Reporting, June 2021 on a best effort basis

Allocation Reporting

The allocation report will provide the following information for each Eligible category:

- the total amount of proceeds allocated to eligible loans
- the number of eligible loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

Impact Reporting

Where feasible, LBBW may on a best effort basis report yearly and until full allocation on climate benefits associated to the eligible loans in line with the Harmonized Impact Reporting Framework, i.e.

For Green buildings eligible loans on:

- Estimated annual energy consumption (ex ante) in kWh/m²/a or source energy savings in MWh
- Estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

For Renewable Energy eligible loans on:

- Totally installed capacity in MW
- Avoided GHG emissions based on actual/P50 production
- Annual GHG emissions reduction in tons of CO₂ equivalent

LBBW may appoint specialized consultants to develop a methodology for the estimation and calculation of the impacts that was made publicly available.

Both Allocation and Impact Reporting are provided on LBBW's website⁴.

⁴ <https://www.lbbw.de/green-bond>

Opinion: ISS ESG finds that the reporting proposed by LBBW's Green Bond Framework is aligned with the GBPs. The Allocation Reporting has sufficient detail and the quantitative indicators to be used in the Impact Reporting are disclosed. The report will be publicly available.

External review

FROM ISSUER'S FRAMEWORK

Second Party Opinion

LBBW's Green Bond Framework has been reviewed by ISS ESG, which has issued a Second Party Opinion. The Second Party Opinion and the Green Bond Framework are provided to investors on LBBW's website⁵. When changes are made to the Green Bond Framework, a new Second Party Opinion will be requested. In addition, ISS ESG assessed the alignment of LBBW's Green Bond Framework with the EU Taxonomy Climate Delegated Act.

⁵ <https://www.lbbw.de/green-bond>

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the LBBW's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment⁶ is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings <ul style="list-style-type: none"> Buildings built before 31 December 2020 with EPC label ≥ "A" or belonging to the top 15% of the national building stock based on primary energy demand (PED) Buildings built after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings in the local market For both cases, meets EU Taxonomy criteria requirements, for buildings smaller than 5000m² in size. 	Limited Contribution⁷	
	Significant contribution	
Green Buildings <ul style="list-style-type: none"> Buildings that have been refurbished meeting the criteria for major renovations under applicable building regulations, or that have been refurbished with renovations resulting in a reduction of primary energy demand of at least 30% within a maximum of 3 years in comparison to the energy performance of the building before the renovation 	Limited Contribution⁸	
	Significant contribution	
Wind Power <ul style="list-style-type: none"> Onshore and Offshore 	Significant contribution	 
Solar Power <ul style="list-style-type: none"> Photovoltaic and Concentrated Thermal 	Significant contribution	 

⁶ This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the issuer has aligned with the Technical Screening Criteria of the EU Taxonomy Climate Delegated Act (June 2021).

⁷ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

⁸ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

B. ALIGNMENT OF THE PROJECT SELECTION CRITERIA WITH THE EU TAXONOMY

ISS ESG assessed the alignment of LBBW's project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act⁹ (June 2021), based on information provided by LBBW. Where LBBW's projects and policies fully meet the EU Taxonomy Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the EU Taxonomy Criteria requirements.

LBBW's project selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

- 4.1 Electricity generation using solar photovoltaic technology
- 4.2 Electricity generation using concentrated solar power (CSP) technology
- 4.3. Electricity generation from wind power
- 7.1 Construction of new buildings
- 7.2 Renovation of existing Buildings
- 7.7. Acquisition and ownership of buildings

Note: In order to avoid repetition, the evaluation of the alignment of LBBW's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section B.7. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section B.8. They are applicable to all of the above activities.

⁹https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

B.1 4.1 - Electricity generation using solar photovoltaic technology

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁰	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
The activity generates electricity using solar PV technology.	Solar PV projects automatically meet the Mitigation criteria. The asset portfolio contains projects located in the EU, Japan, UK.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.7	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	LBBW confirms that its lending due diligence ensures that all projects located within Europe are compliant with EU and national legislation and regulations regarding recyclability and dismantling of equipment. For countries outside of Europe, LBBW takes these considerations into account as part of its lending due diligence, however, there is limited detail in terms of what extent this is done consistently.	✓ except for projects outside of the EU
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (6)	See B.8	○

B.2 4.2 - Electricity generation using concentrated solar power (CSP) technology

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹¹	ALIGNMENT
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¹⁰ This column is based on input provided by the issuer.

¹¹ This column is based on input provided by the issuer.

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
The activity generates electricity using CSP technology.	Solar CSP projects automatically meet the Mitigation criteria. The asset portfolio contains projects located in Spain.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.7	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	LBBW confirms that its lending due diligence ensures that all projects located within Europe are compliant with EU and national legislation and regulations regarding recyclability and dismantling of equipment.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (6)	See B.8	○

B.3 4.3 - Electricity generation from wind power

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹²	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
The activity generates electricity from wind power.	Wind power projects automatically meet the Mitigation criteria. The asset portfolio contains projects located in the EU, Canada, Norway, Turkey, UK, and Vietnam.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.7	○

¹² This column is based on input provided by the issuer.

3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive’s Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for that descriptor.

The offshore wind farms are located in Germany, France and UK territory.

For those assets, LBBW has strict due diligence procedures to make sure that they fully comply with relevant EU and national legislation, regarding permits and environmental impacts for offshore wind facilities.



4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.

LBBW confirms that its lending due diligence ensures that all projects located within Europe are compliant with EU and national legislation and regulations regarding recyclability and dismantling of equipment.

For countries outside of Europe, LBBW takes these considerations into account as part of its lending due diligence, however, there is limited detail in terms of what extent this is done consistently.

✓
except for projects outside of the EU

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A

N/A

N/A

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

GENERIC CRITERIA FOR (6)

In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive’s Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.

For information relating to the generic criteria, please see B.8.

Regarding the additional criteria for offshore wind farms, the offshore wind farms are located in German, France and UK territory.

For those assets, LBBW has strict due diligence procedures to make sure that they fully comply with relevant EU and local legislation, regarding EIAs and



	necessary mitigation measures and protection of biodiversity sensitive areas.	
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B.4 7.1 Construction of new buildings

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹³	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Constructions of new buildings for which:</p> <p>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3. For buildings larger than 5000 m², the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>LBBW’s buildings are located in Germany, UK, Canada and the US. They comprise a mix of office, retail, logistics, and residential buildings.</p> <p>LBBW has commissioned a technical analysis from an external consultant to confirm the building codes and other thresholds for each building type, in Canada, US, UK and Germany, to determine the equivalent of PED being 10% less than NZEB criteria. These building codes and thresholds will be applied to select eligible buildings for inclusion in the green bond portfolio.</p> <p>There is limited information to assess whether the mentioned testing and life cycle GWP calculations have been conducted for the larger buildings.</p>	○
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.7	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		

¹³ This column is based on input provided by the issuer.

Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E (of the Delegated Act):

To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex

There is limited information to assess the types of water appliances used in the non residential buildings.

For the buildings located in Germany, where the EU Water Framework Directive and the Environmental Impact Assessment Directive have been applicable for many years, the construction works are compliant with the relevant legislative requirements set out in Appendix B (Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources).



4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.

Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.

Building designs and construction techniques support circularity and in particular demonstrate, with reference to

For the buildings located in Germany, it is likely that they comply with the relevant EU legislative requirement such as the Waste Framework Directive, which stipulates that by 2020, at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery.

However, for buildings located in Canada, US and UK, there is limited information to confirm whether such thresholds, although it is likely that there may be similar regulatory requirements in those countries.

There is also limited information to assess whether the building designs and construction techniques mentioned are applied.



<p>ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>		
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Building components and materials used in the construction comply with the criteria set out in Appendix C of the Annex of the Delegated Act. Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardized test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>For the buildings located in Germany, it is likely that they comply with the relevant EU legislative requirements for harmful substances and pollutants listed in Appendix C (Generic Criteria for DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals).</p> <p>For the buildings located in Canada, US, UK, there is limited information to assess whether the renovations would use those chemicals and substances listed in the relevant EU legislation.</p> <p>Generally, in Germany, US, UK, Canada, there are regulatory requirements around noise, dust and pollutant emissions during the renovation works.</p>	<p style="text-align: center;">✓</p> <p>except for projects outside of the EU</p>
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>GENERIC CRITERIA FOR (6)</p>	<p>See B.8</p>	<p style="text-align: center;">○</p>

B.5 7.2 Renovation of existing Buildings

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁴	ALIGNMENT
<p>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</p>		

¹⁴ This column is based on input provided by the issuer.

<p>The building renovation complies with the applicable requirements for major renovations (As set in the applicable national and regional building regulations for ‘major renovation’ implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.)</p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%</p>	<p>LBBW’s real estate portfolio consists of office, retail, logistics and residential buildings located in Germany, UK, Canada and the US.</p> <p>LBBW will be selecting buildings for the proceeds allocation on the basis of analysis performed by an external consultant to confirm the 30% reduction in PED for any eligible building, including in any country.</p>	<p style="text-align: center;"></p>
<p>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>GENERIC CRITERIA FOR (2)</p>	<p>See B.7</p>	<p style="text-align: center;"></p>
<p>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E of the Delegated Act.</p> <p>To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex</p>	<p>There is limited information to assess the types of water appliances used in the non residential buildings.</p> <p>For the buildings located in Germany, where the EU Water Framework Directive and the Environmental Impact Assessment Directive have been applicable for many years, the construction works are compliant with the relevant legislative requirements set out in Appendix B (Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources).</p>	<p style="text-align: center;"></p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance</p>	<p>For the buildings located in Germany, it is likely that they comply with the relevant EU legislative requirement such as the Waste Framework Directive, which stipulates that by 2020, at least 70% by weight of the non-hazardous construction and demolition waste is prepared for</p>	<p style="text-align: center;"></p>

with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.

Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887302 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.

reuse, recycling or other material recovery.

However, for buildings located in Canada, US and UK, there is limited information to confirm whether such thresholds, although it is likely that there may be similar regulatory requirements in those countries.

There is also limited information to assess whether the building designs and construction techniques mentioned are applied.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Building components and materials used in the construction complies with the criteria set out in Appendix C (of the Delegated Act).

Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011304 or other equivalent standardised test conditions and determination methods.

For the buildings located in Germany, it is likely that they comply with the relevant EU legislative requirements for harmful substances and pollutants listed in Appendix C (Generic Criteria for DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals).

For the buildings located in Canada, US, UK, there is limited information to assess whether the renovations would use those chemicals and substances listed in the relevant EU legislation.

Generally, in Germany, US, UK, Canada, there are regulatory requirements around noise, dust and pollutant emissions during the renovation works.



except for projects outside of the EU

Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.		
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A

B.6 7.7. Acquisition and ownership of buildings

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁵	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	<p>For the buildings built before 31 December 2020, LBBW has commissioned a technical analysis from an external consultant to confirm the thresholds which represent the top 15% of the building distribution in Canada, US, UK and Germany.</p> <p>For the buildings built after 31 December 2020, LBBW has commissioned a technical analysis from an external consultant to confirm the building codes and other thresholds for each building type, in Canada, US, UK and Germany, to determine the equivalent of PED being 10% less than NZEB criteria.</p> <p>For both the older and newer buildings, the building codes and thresholds will be applied to select eligible buildings for inclusion in the green bond portfolio.</p> <p>There is limited information to assess whether all of the large non-residential buildings have energy performance monitoring systems in place.</p>	○
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.7	○

¹⁵ This column is based on input provided by the issuer.

3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A

B.7 Generic Criteria for DNSH to Climate Change Adaptation

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁶	ALIGNMENT
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>The physical climate risks that are material to the activity have been identified from those listed in the table in Section II of the Delegated Act by performing a robust climate risk and vulnerability assessment with the following steps:</p> <p>(a) screening of the activity to identify which physical climate risks from the list in Section II of the Delegated Act may affect the performance of the economic activity during its expected lifetime;</p> <p>(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of the Delegated Act, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</p> <p>(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.</p> <p>The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:</p>	<p>LBBW confirms that all projects within Europe hold the necessary planning permits, which entail environmental checks and permits as required by legislation and regulation in each country.</p> <p>LBBW’s own lending due diligence checks for a range of environmental risks, including some consideration of future climate impacts in certain cases. It also checks for compliance with the IFC Performance Standards for the relevant project category, eg wind or solar farms.</p> <p>However, there is limited information to confirm that all of the borrowers have conducted the assessments to the level of detail as mentioned in the Criteria requirements.</p>	○

¹⁶ This column is based on input provided by the issuer.

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.

For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.

For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations.

The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural

heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.

B.8 Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

EU TAXONOMY REQUIREMENT	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁷	ALIGNMENT
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
<p>An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU.</p> <p>Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</p> <p>For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</p>	<p>LBBW confirms that all of the projects within Europe are compliant with the relevant EIA legislation and requirements of each country.</p> <p>For countries outside Europe, LBBW is currently in the process of reviewing their lending policies to ensure that appropriate EIAs are conducted in accordance with the national and international relevant regulatory requirements, e.g. IFC Performance Standards 1 to 8. As the EU EIA Directive is not applicable outside of the EU, it is not possible to say whether EIAs conducted outside of the EU are performed in accordance with the EU EIA Directive.</p> <p>For all countries, LBBW’s own lending due diligence checks for potential impacts on biodiversity sensitive or protected areas. For larger projects, it also checks for compliance with the IFC Performance Standards for the relevant project category, eg wind or solar farms, which includes checking for such impacts.</p>	<p style="text-align: center;">✓</p> <p>except for projects outside of the EU</p>

¹⁷ This column is based on input provided by the issuer.

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation¹⁸. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<p>Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>For the OECD countries where LBBW lends to, there are generally legislation and mechanisms to ensure that companies in those countries comply with the OECD Guidelines for MNE. For the non OECD countries where LBBW lends to, such as Vietnam, there are no such legislation nor mechanisms.</p> <p>Otherwise, LBBW assesses their borrowers' alignment with OECD MNE Guidelines as part of its lending due diligence.</p> <p>LBBW itself is headquartered in Germany, which is an OECD country, and LBBW also has a public commitment to operating in line with the OECD Guidelines for MNE.</p> <p>LBBW has a public commitment to the UN Guiding Principles¹⁹ in its overall sustainability policy.</p> <p>LBBW commits to the ILO Core Conventions for its own employees. It is in the process of developing a consideration of whether its borrowers commit to the ILO Core Conventions, as part of its lending due diligence.</p>	<p style="text-align: center;">✓</p> <p>except for assets in Vietnam and other non OECD countries</p>

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

¹⁹ https://www.lbbw.de/konzern/nachhaltigkeit/2021/lbbw-sustainability-practice-2021_adr8vnjz6r_m.pdf

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1. Validity of the SPO: For as long there are no material changes to the Framework
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021)

The evaluation shows to understand if LBBW's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by LBBW (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which LBBW's Green Bond contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

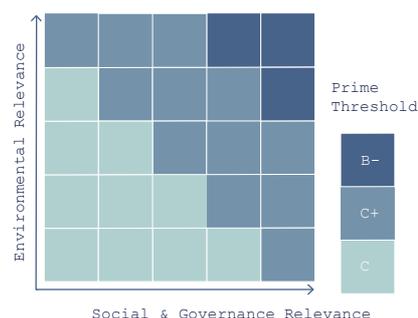
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

LBBW commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA's GBP and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

ISSUER'S RESPONSIBILITY

LBBW's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria and existing asset pool
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by LBBW based on ISS ESG methodology and in line with the ICMA's GBP.

The engagement with LBBW took place in March 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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